



J. TYLER McCAULEY

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 14, 2000

To: Supervisor Gloria Molina, Chair  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: J. Tyler McCauley  
Auditor-Controller

Subject: **DISTRICT ATTORNEY: THIRD PROGRESS REPORT ON THE  
IMPLEMENTATION OF FISCAL OPERATIONS AUDIT  
RECOMMENDATIONS**

On January 12, 1999, your Board requested progress reports on the District Attorney's (DA) implementation of the recommendations in our December 1998 fiscal operations audit. This is our third status report.

**STATUS OF RECOMMENDATIONS**

The Fiscal Operations Audit included 48 recommendations for improvement. Based on our reviews to date, the DA has implemented 43 (90%) recommendations and is in the process of implementing five (10%). Attachment I is the DA's status report on recommendations as of November 2000.

This status report focuses on the status of those recommendations which were in progress as of our last status report in March 2000. Recommendations are numbered consistent with the audit report.

**General Accounting**

The audit recommended the timely submission of grant claims to maximize cash flow, increase interest earnings, and improve revenue monitoring capabilities (Recommendation #3). In an effort to improve the timeliness of grant claim submissions, the Bureau of Management and Budget obtained Board approval to hire three additional staff in the Grants Unit, one of which had been hired at the time of our last review. At that time, we reviewed the claims filed of three grant programs and noted that the Department submitted claims, on average, less than five days after the scheduled due date. This was a significant improvement over the average of 51 days reported in the audit. However, we considered the recommendation to be in progress at

the time of our last status report, pending the hiring of the additional two staff. The DA has since hired these additional staff.

**Status: Implemented**

The audit also recommended the Department improve its accounting for accounts payable and commitments (Recommendations #8 and #9). Specifically, the audit found that the Department did not analyze year-end balances to determine if they were proper or needed to be reduced.

The Department has implemented several new procedures to help ensure the accuracy of its year-end accruals. Based on our review of these procedures, documentation of its Fiscal Year (FY) 1999-2000 year-end close, and a sample of accounting records and transactions, the Department has significantly improved its compliance with County fiscal requirements.

**Status: Implemented****Payroll and Overtime Controls**

The audit recommended that persons independent of the payroll function receive and distribute payroll warrants and direct deposit notices (Recommendation #11). Effective April 1999, the Department instituted new payroll procedures under which the Budget/Fiscal staff pick-up the payroll warrants and randomly replaced two of the payroll staff who sorted and distributed the payroll warrants. However, by November 1999, the Department had determined that random replacement of two staff was costly and inefficient and ceased the practice. Subsequently, the Department requested that we consider the recommendation implemented in light of the fact that it conducts semi-annual payroll pay-offs. However, we reviewed the DA's documentation of two pay-offs and noted that pay-offs were not conducted by persons with no payroll or personnel responsibilities and were not conducted on an unannounced basis. Additionally, the Department did not have sufficient controls in place to ensure a complete accounting for all payroll warrants and direct deposit notices included in the pay-off.

The DA is drafting revised payoff procedures to address the deficiencies we identified. It expects the procedures to be finalized and staff trained by the end of March 2001.

**Status: In Progress**

The audit included three recommendations related to compliance with County overtime policies, monitoring of overtime expenditures, and development of a department-specific policy on maximum work hours (Recommendations #13, #14 and #15, respectively). The Department has revised its overtime policies to address these issues which are pending approval by executive management.

**Status: In Progress**

**Procurement**

The audit included 13 recommendations to improve the Department's procurement processes. Six of these recommendations (Recommendations #19, #21 - #24, and #28), which were in progress as of our last status report, focused on ensuring the Department obtain and document necessary approvals for purchases and the required number of price quotes, ensure agreement items are purchased using agreement vendors and that the Department justify sole source purchases. We reviewed a sample of purchases and associated payments processed in the current fiscal year and found the purchases were appropriately approved and that approval documentation was maintained. Further, agreement items were purchased using agreement vendors using appropriate blanket purchase orders.

**Status: Implemented**

**Fixed Assets**

The audit recommended that the Department implement procedures to account for and inventory its fixed assets and portable equipment items (Recommendation #32). The Department stated its complete implementation of this recommendation has been delayed due to staffing changes in its Management Services Unit. However, the Department has commenced development of a comprehensive inventory, and plans to recruit an Inventory Control Assistant who will be responsible for conducting periodic inventories and submitting accountings of the Department's fixed assets and portable equipment to the Auditor-Controller. The Department expects implementation of this recommendation by March 2001.

**Status: In Progress**

**CONCLUSION**

The DA has made a conscientious effort to implement the audit's recommendations, and has established realistic completion dates for the five recommendations that remain in progress, the great majority of which should be implemented within the next few months. (See Attachment II.) Considering that the Department has established realistic target dates for these remaining recommendations, we do not believe it necessary to continue to report on the Department's implementation progress. Accordingly, unless otherwise directed by the Board of Supervisors, this will be our last status report.

Please call me if you have any questions, or your staff may contact Pat McMahon at (213) 974-0301, or DeWitt Roberts at (213) 893-0973.

JTM:PM:DR  
Attachments

c: Gil Garcetti, District Attorney  
Violet Varona-Lukens, Executive Officer  
Public Information Officer  
Audit Committee



LOS ANGELES COUNTY DISTRICT ATTORNEY'S OFFICE  
BUREAU OF MANAGEMENT & BUDGET

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GIL GARCETTI • District Attorney  
ROBERT P. HEFLIN • Chief Deputy District Attorney  
SHARON J. MATSUMOTO • Assistant District Attorney

DAVID H. GUTHMAN • Director

November 9, 2000

To: Joseph Kelly  
Program Specialist III  
Auditor-Controller

From: David H. Guthman, Director  
Bureau of Management and Budget

A handwritten signature in black ink, appearing to be "DG", is located to the right of the "From:" line.

Subject: **REVISED FOLLOW-UP TO DISTRICT ATTORNEY'S FISCAL  
OPERATIONS REVIEW**

As requested, attached is the current status of the 14 recommendations from our December 1998 Fiscal Operations Review which had not been fully implemented as of March 2000.

If you have any questions, please contact Jacqueline White of my staff at (213) 202-7656.

JW/su

Attachment

**District Attorney  
Third Progress Report on the Implementation of the  
Fiscal Operations Audit Recommendations**

**Recommendations in Progress**

1. Ensure that grant claims are submitted more timely. (#3)

***Implemented: Staff has been recruited, hired, and trained.***

2. Re-instruct fiscal staff on proper accounts payable procedures and monitor for compliance. (#8)

***Implemented: Procedures have been written and reviewed with fiscal staff.***

3. Re-instruct fiscal staff on the criteria for establishing commitments and monitor to ensure that only necessary balances are maintained. (#9)

***Implemented: Procedures have been written and reviewed with fiscal staff.***

4. Ensure that payroll warrants and direct deposit notices are received and distributed by persons independent of the payroll function. (#11)

***Implemented from 4/15/99 until 11/15/99, but was determined to be inefficient and costly for the department. The Department, however does conduct semi-annual payroll distribution payoffs to ensure that all employees receiving warrants or notices of direct deposits are bona fide. The Department is drafting revised pay-off procedures to address the deficiencies in its pay-off process that the Auditor-Controller identified as part of its second progress report. The Department expects the procedures will be finalized and staff trained by the end of March 2001.***

5. Ensure compliance with Fiscal Manual requirements regarding overtime and to ensure that pre-approval for all overtime is documented. (#13)

***In Progress: Policy has been written, needs review and approval by executive staff which we expect to occur by March 2001.***

6. Perform additional monitoring to identify and follow-up on specific instances on non-compliance with Department policy and potential overtime abuse. (#14)

***In Progress: Policy has been written, needs review and approval by executive staff which we expect to occur by March 2001.***

7. Develop policies regarding maximum work hours. (#15)

***In Progress: Policy has been written, needs review and approval by executive staff which we expect to occur by March 2001.***

8. Monitor all purchases for appropriate pre-approvals and take corrective action when orders are placed without approval. (#19)

***In Progress: Policy has been written: office-wide notice pending clearance.***

9. Ensure ISD approval is obtained for purchases over \$5,000 and that approval documentation is maintained. (#21)

***Implemented: Memo sent to staff 6/1/99 regarding A/C recommendations and procedures to be followed. Training provided.***

10. Ensure the required number of price quotes are obtained for all purchases and that sole source purchases are justified. (#22)

***Implemented: Memo sent to staff 6/1/99 regarding A/C recommendations and procedures to be followed. Training provided.***

11. Ensure agreement items are purchased using agreement vendors. (#23)

***Implemented: Memo sent to staff 6/1/99 regarding A/C recommendations and procedures to be followed. Training provided.***

12. Ensure agreement items are purchased using the appropriate blanket purchases order. (#24)

***Implemented: Memo sent to staff 6/1/99 regarding A/C recommendations and procedures to be followed. Training provided.***

13. Ensure available cash discounts are taken. (#28)

***Implemented: Memo sent to staff 6/1/99 regarding A/C recommendations and procedures to be followed. Training provided.***

14. Implement procedures to account for and inventory its fixed assets and portable equipment items, and send required documentation to the Auditor-Controller's Fixed Asset Unit in accordance with County Fiscal Manual requirements. (#32)

***In Progress: Created draft list of equipment inventory beginning FY 1993-94. Recruitment for new staff in process. Due to Management reorganization, staffing is being finalized and the Inventory Control should be in place by March 2001.***

**District Attorney  
Third Progress Report on the Implementation  
of the Fiscal Operations Audit Recommendations**

**Recommendations in Progress**

1. Ensure that payroll warrants and direct deposit notices are received and distributed by persons independent of the payroll function. (#11)
2. Ensure compliance with Fiscal Manual requirements regarding overtime and to ensure that pre-approval for all overtime is documented. (#13)
3. Perform additional monitoring to identify and follow-up on specific instances on non-compliance with Department policy and potential overtime abuse. (#14)
4. Develop policies regarding maximum work hours. (#15)
5. Implement procedures to account for and inventory its fixed assets and portable equipment items, and send required documentation to the Auditor-Controller's Fixed Asset Unit in accordance with County Fiscal Manual requirements. (#32)